

FINANCE ACT 2009

EXPLANATORY NOTES

INTRODUCTION

Section 54: Taxable Benefit of Cars: Price of Automatic Car for Disabled Employee

Summary

1. [Section 54](#) provides that disabled drivers of automatic cars who hold a disabled person's badge (blue badge) are entitled to use the list or notional price of an equivalent manual car instead of the list or notional price of the automatic car they actually drive, when computing the car benefit charge.

Details of the Section

2. Subsection (2) provides for a consequential amendment of section 116(3) of the Income Tax (Earnings and Pensions) Act 2003 (ITEPA).
3. Subsection (3) provides for a consequential amendment of section 121(1) of ITEPA.
4. Subsection (5) inserts a new section 124A after section 124. The new provision concerns the computation of the benefit charge based on an equivalent manual car where an automatic car is provided for a disabled employee. In particular, section 124A(3) sets out how the equivalent manual car is to be identified, and section 124A(4) defines an automatic car.
5. New section 124A(5) clarifies when, for the purposes of this section, a car is available to an employee. It confirms that the car needs to be made available to the employee by reason of the employee's employment but without the car being transferred to the employee.

Background Note

6. Currently where a company car is made available to an employee for private use, a tax charge arises on the benefit in kind of the availability of the car. In almost every case, the employer calculates the benefit by reference to the list price and the CO2 emissions of the car. The same method is used for all drivers, regardless of any disability the driver might have.
7. However, for disabled drivers there are currently a number of targeted measures within company car tax in recognition of the fact that, because of their disability, they might need to drive a car with a higher benefit charge than would otherwise be the case. For example:
 - subject to certain conditions, the cost of accessories provided for disabled drivers is excluded from the calculation of the company car benefit (section 125(2)(c) of ITEPA); and
 - drivers who hold a disabled person's badge and who have to use automatic company cars are able to use the CO2 figure for the equivalent manual car in the calculation

*These notes refer to the Finance Act 2009 (c.10)
which received Royal Assent on 21 July 2009*

of the benefit where this is lower than that of the automatic car they actually drive (section 138 of ITEPA).

8. This new measure extends the existing legislation in section 122 on “the price of the car” to allow disabled drivers holding a disabled person’s badge (blue badge) to use the list or notional price of an equivalent manual car to work out the benefit charge instead of the list or notional price of the automatic car they actually drive, where this is to their advantage.
9. The objective of this measure is to remove a tax disadvantage that certain disabled company car drivers suffer because they need to drive automatic cars on account of their disability.
10. This change brings the method used to determine the price of the car into line with the method used to determine the CO2 emissions. From 2009-10, where the disabled driver has to drive an automatic because of their disability, the CO2 emissions figure and list or notional price of an equivalent manual car can be used to calculate the car benefit. This is consistent with the Government’s wider objectives of supporting the disabled.